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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT
(SAN FRANCISCO DIVISION)**

In re:

PG&E CORPORATION

Bankruptcy Case

No. 19-30088-DM

-and-

Chapter 11

(Lead Case)

PG&E GAS AND ELECTRIC COMPANY

(Jointly Administered) Case

Debtors

No. 19-30089-DM

vs.

Theresa Ann McDonald

Proof of Claim No. 54975

Creditor

Filed October 21, 2019

Camp Fire

Judge: Honorable Dennis Montali

Reply to Fire Victim Trustee's Response
to Emergency Pleading of Theresa Ann
McDonald Seeking Explanation of Fire
Victim Trust Annual Report

Relief Sought: Complete Explanation of
the Funding, Income, and Expenses of
the Fire Victim Trust for the year 2020.

No Hearing is Requested

The court deprived Trust beneficiaries of their right to require financial
accounting from the Trust. In doing so the court acquired the obligation to
ensure that the Trust was properly funded and that funds were expended

1 properly. We literally have no other recourse except to petition the court to
2 order the Fire Victim Trustee to answer our questions.

3
4 It has been a few days since the Fire Victim Trustee submitted his
5 Response to my Emergency Motion asking the court to order the Trustee to
6 explain the discrepancy between the cash due to the Fire Victim Trust and the
7 funding reported in the Annual Report. I have not seen any reaction from the
8 court, so in the interest of preserving my rights I am submitting this Reply to
9 the Fire Victim Trustee's Response.
10

11
12 Under the terms of the PG&E Fire Victim Trust Agreement dated July 1,
13 2020, the Fire Victim Trustee is required to submit an Annual Report. The
14 Trust's financial records began on the date the first deposit was made to the
15 Pre-Effective Date Operating Expense Account which should have happened by
16 April 17, 2020. Therefore the Annual Report should cover the period from the
17 date of that first deposit through December 31, 2020. It does not. It covers
18 only the period from July 1, 2020 through December 31, 2020, which is the
19 source of much of the confusion surrounding the numbers contained in the
20 Report. It means that not only is the Trust's funding reported incorrectly, but
21 also that the Trust's Operating Expenses are under-reported by \$15,382,436.70.
22 The Annual Report is not only wrong, it is extremely misleading.
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27 Despite the Fire Victim Trustee's statement that the Fire Victims' Trust
28 was due only \$5.4 billion in cash from the Debtors, it is a fact that the total cash

1 due to the Fire Victim Trust from Debtors was \$5,402,500,000.00. I arrived at
2 that number by adding the \$5.4 billion required by the Plan to the \$2.5 million
3 payment required by documents 6759 and 6760, a payment that was not
4 permitted to be treated as an advance of Trust funds.
5

6 In his Response to the Emergency Motion the FV Trustee refers to a
7 \$2,500,000.00 payment that the Debtors were ordered to make to the Trust's
8 Pre-Effective Date Operating Expense Account (Dkt 10619, page 3 lines 3-9).
9 However, footnote 2 makes it clear he has confused the payment the Debtors
10 were ordered to make to BrownGreer (paragraph 5 of Docket #6760) with the
11 payment the Debtors were ordered to make to the Trust's account (paragraph 6
12 of Docket #6760). Because the Trustee does not include the \$2,500,000.00 in
13 the deposits made to the Trust's account I cannot be certain it was actually
14 received. The \$2,500,000.00 was not to be treated as an advance to the Trust.
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19 My first question to the Trustee is whether the Trust's Pre-Effective Date
20 Operating Expense Account received three deposits from the Debtors for a total
21 of \$17,035,185.00 or did it receive only two deposits from the Debtors for a
22 total of \$14,535,185?
23

24 My second question to the Trustee is how was the \$1,811,166.00
25 calculated as a balance in the Pre-Effective Date Account that should be
26 transferred to the Post-Effective Date Account?
27

28 The Trustee's response does not make sense, although it does call into

1 further doubt whether or not the Debtors made the initial \$2,500,000.00
2 payment to the Trust.

3
4 Finally, Note 3 to the Annual Report also states that there
5 was an "additional Cash contribution" of \$1,811,166.
6 This amount was transferred from the Pre-Effective Date
7 Operating Account and is primarily comprised of funds
8 remaining in that account from the pre-Effective Date
9 transfer of \$14,535,185 after all pre-Effective Date fees
and expenses were paid. (Docket 10619, page 4, lines 6-9)

10 The Trustee submitted three documents to the court explaining the payments
11 that were being made out of the Trust's Pre-Effective Date Operating Expenses
12 Account. Docket #7329, Docket #7956, and Docket #8410. Those three
13 reports total \$15,382,436.50.

14
15 If the Trust spent the reported \$15,382,436.50 out of the Pre-Effective
16 Date Operating Expense Account then in order for the Account to have a
17 balance of \$1,811,166.00 available to transfer to the Post-Effective Date
18 Operating Expense Account the Pre-Effective Date Account would have had to
19 receive deposits totaling \$17,193,602.40 not the \$14,535,815 the Trustee
20 reports. The numbers simply do not add up.

21
22 I am an accountant. For more than 40 years this is what I did - I looked
23 at reports that were submitted and I found discrepancies. Sometimes they were
24 true errors - information that was not included in the report was included in the
25 totals - and sometimes they were the result of embezzlement. I do not mean to
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1 imply that embezzlement is happening at the Trust, yet, but I can tell the court
2 that when there is this much cash available and it is not being tracked carefully
3 the potential for embezzlement is huge.
4

5 I have no data that would allow me to question the accuracy or
6 appropriateness of more than \$54 million in Operating Expenses in less than a
7 full year (\$15,382,436.70 in Pre-Effective Date expenses reported on court
8 docket numbers 7329, 7956, and 8410 and \$38,748,564.00 reported on court
9 docket number 10601).
10

11 There is data that should allow me to verify that the Trust was funded
12 properly. That data indicates at least a problem with the reporting of the
13 funding, a problem the Fire Victim Trustee's Response does not explain.
14

15 I am not asking for a lot of information. I would like to see verification
16 from the Fire Victim Trust's bank that the following deposits were made. The
17 dates are "due by" dates, so the actual transactions may have happened earlier.
18

19	1. April 17, 2020	\$ 2,500,000.00
20	2. May 30, 2020	\$ 9,767,593.00
21	3. June 30, 2020	\$ 4,767,592.00
22	4. July 1, 2020	<u>\$5,385,464,815.00</u>
23	Total Deposits/Transfers	\$5,402,500,000.00

24 If the initial \$2,500,000.00 deposit was not made, then the Fire Victim
25 Trust received only \$5,400,000,000.00 and was underfunded by \$2,500,000.00.
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1 In that case the Reorganized Debtors need to issue that payment to the Trust,
2 along with interest from April 17, 2020, at the Federal Rate.

3
4 Finally, while there is not sufficient data available for me to make any
5 determination regarding the validity of either the Pre-Effective Date or Post-
6 Effective Date Operating Expenses that does not mean there is not sufficient
7 confusion regarding those numbers to require an explanation from the Fire
8 Victim Trustee.
9

10 The three Pre-Effective Date Summary Report of Fees and Expenses of
11 Fire Victim Trustee, Claims Administrator & Professionals Retained By Fire
12 Victim Trust are very clear in what expenses were paid.
13

14 A. Docket 7329 1/13/2020 to 3/31/2020 \$ 1,790,477.16

15 B. Docket 7956 4/1/2020 to 4/30/2020 \$ 126,510.00

16 C. Docket 8410 5/1/2020 to 6/30/2020 \$13,465,449.54

17
18 Total Pre-Effective Date Expenses Paid \$15,382,436.70
19

20 Is there any method of depositing \$14,535,185.00, making expenditures
21 of \$15,382,436.70 and still having a balance of \$1,811,166.00 available to
22 transfer to another account? Yes, I can think of two without even trying. The
23 first is that the account was closed and the balance transferred while there were
24 still millions of dollars of checks that simply had not yet cleared the bank. The
25 second is that there were millions of dollars of duplicate payments included in
26 the \$15,382,436.70 of payments that the court was notified of, and that the
27
28

1 payees were honest enough to return the payments to the Trust but the Trustee
2 never notified the court of the errors. Either of those conditions is indicative of
3 major problems with the accounting being conducted at the Trust, and those
4 problems need to be resolved sooner rather than later.

5
6 Every dollar amount I have used in this reply is based on either the Plan
7 (\$5.4 billion) or documents prepared by or for the Fire Victim Trustee and
8 submitted by him to this court. There is no legitimate way to combine the
9 numbers reported for the Pre-Effective Date Operating Expense Account and
10 arrive at a positive balance of \$1,811,166.00. That means it is not possible to
11 reconcile those numbers to the numbers shown in the Annual Report.

12
13 All I can do is report to the court that there is no method of reconciling
14 the deposits reported as being made to the Trust's Pre-Effective Date Operating
15 Account and the payments reportedly issued by that account and end up with an
16 excess of \$1,811,166.00 to transfer to the Trust's Post-Effective Date Operating
17 Account.

18
19 All I can do is beg the court to at least order the Fire Victim Trustee to
20 produce a spreadsheet with supporting documents that shows how the
21 \$1,811,166.00 amount was arrived at and then explain why the numbers on that
22 spreadsheet do not agree with the numbers previously reported to the court.

23
24 For the avoidance of doubt \$1,811,166.00 is not simply a number
25 mentioned in a footnote in the Annual Report that can be regarded as

1 insignificant. It is one of three sums used to calculate the Trust's Funding
2 reported on Page 12 of the Annual Report, Special-Purpose Statement of
3
4 Changes in Net Claimants' Equity:

Cash Transferred from Debtors	\$5,385,464,815
Cash Transferred from Pre-Effective Date Account	1,811,166
Stock Transferred from Debtors	<u>4,314,077,007</u>
Trust Funding	\$9,701,352,988

8
9 I did not make up these numbers. They come from the Annual Report provided
10 by the FV Trustee. I am certain the court understands that Equity is an integral
11 part of every financial statement. If Equity is wrong then the entire financial
12 statement is wrong.

14 Finally, I need to repeat my request that the court reconsider its decision
15 to deny Trust Beneficiaries access to the Trust's financial records. We should
16 have the ability to require a full accounting from the Trustee, without having to
17 spend the court's valuable time serving as a mediator. The Trust was
18 established for our benefit. We should be able to see how it is being managed.

21
22 Respectfully,

23
24 May 7, 2021

25 Date

Theresa Ann McDonald

Theresa Ann McDonald

26 Signed and resubmitted May 13, 2021
27
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